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THE SOVIET WORLD

Recent developments inside the USSR lend weight to previous scattered evidence suggesting that all has not been going smoothly within the Soviet "collective" leadership. These developments suggest that there have been serious disagreements over internal economic policy and that a decision now has been reached to maintain priority on heavy industrial production at the expense of light industry.

Such renewed emphasis may stem from the fact, evidenced by the annual plan report for 1954, that the growth of some of the important segments of Soviet industry has been lagging behind the ambitious goals of the fifth Five-Year-Plan, although substantial increases have been achieved. It may also be keyed to an estimate that prospective West German rearmament and the situation developing with regard to Formosa are undermining the atmosphere of relaxed international tension upon which the entire new economic policy was based.

With regard to internal economic policy, Pravda printed an article signed by the paper's editor, D. T. Shepilov, attacking certain Soviet economists who have been advocating the development of light industry to the detriment of heavy industry. The author's outspoken emphasis on heavy industrial production as the primary target at a time when "reactionary forces continue to arm and nurse plans for a new world war" suggested that individuals may be singled out for wrongly placing too much emphasis on the consumers' goods policy and may lose their official positions.

Publication of annual plan results showed that the growth of numerous important individual branches of Soviet industry, notably pig iron, petroleum, certain nonferrous metals, some types of machinery, rolling mills and chemical equipment, had fallen behind schedule. This suggests that growth in these branches of heavy industry was adversely affected by the superimposition upon the Five-Year Plan of a combination of such factors as the Korean war military build-up, various long-range construction projects and the "new course" program.

The announced release on 24 January of A. I. Mikoyan, "at his own request," from his duties as minister of internal trade may possibly be related to the internal economic situation. Since Mikoyan retains his positions as a member of

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the party presidium and a deputy chairman of the Council of Ministers, the "resignation" may be in line with a recent administrative pattern in which three of the six deputy chairmen also holding ministerial posts resigned the latter position so they could devote full attention to more important administrative problems at the deputy premier level. Shepilov's article in Pravda, however, makes it appear more likely that Mikoyan as one of the leaders associated with the consumers' goods program was selected as a scapegoat and is being reprimanded.

The addition of A. A. Andreyev's name on 24 January to a list of the 16 top Soviet leaders may indicate a "collective" move to counter Khrushchev's recently preponderant publicity and his pre-eminence as the top Soviet leader with regard to agricultural affairs. Andreyev, a former member of the politburo, whose career faded quickly after the 19th Party Congress in October 1952, was long associated with Soviet agriculture. He was reprimanded in 1950 for advocating certain "erroneous" agricultural theories and publicly recanted. From that time, Khrushchev, whom some observers saw as Andreyev's chief critic, became identified as the leading Soviet official in the sphere of agricultural policy. Andreyev's role, in recent years, has been limited to membership in the presidium of the Supreme Soviet. The raising of Andreyev's status would also tend to balance the effect which the apparent change would have on the prestige of Malenkov, who was the first Soviet leader to enunciate the consumers' goods policy.

The simultaneous return to Moscow of a group of Soviet ambassadors may be connected with consultations and briefings on a new turn in general Soviet policy which may already have been decided upon and may be reflected in relations with the West.

If the top leadership has in fact recently arrived at major policy decisions, then a plenum of the party's central committee may be expected to take place before the Supreme Soviet session which is to convene on 3 February, a month earlier than last year. That meeting may be called on to approve a new policy and thereby lend it quasi-popular support. Such a move would be particularly useful in view of the fact that cuts in manufactured consumers' goods production would not be popular.

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SECRET**IRAQ JOLTS THE ARAB LEAGUE**

Iraq and Egypt, as a consequence of Iraq's decision to conclude a defense treaty with Turkey, are currently engaged in the Arab world's first open conflict over the question of collaborating with the West in the defense of the Middle East.

No matter how the current struggle is resolved--and its termination may not come quickly and definitively--the Iraqi government's decision, announced in the Iraqi-Turkish communiqué of 13 January, has dealt a blow to Egypt's leadership of the Arab League, and possibly to the league's very existence, by flouting the ban on Arab collaboration with the West.

The struggle brings into the open a long-brewing conflict between Iraq and Egypt. The two countries appear to be at odds on the timing, not on the ultimate necessity, of military collaboration with the West. Iraq was first ready to move ahead in 1951, when Britain proposed the establishment of a Middle East command, and again in 1952, when the Western powers tried again to form a Middle East defense organization. On each occasion Iraq postponed action out of deference to Egypt, which, as the leading Arab power, had made British evacuation of the Suez zone a sine qua non for any Arab collaboration with the West. Even after a Suez settlement was reached in July 1954, Egypt's Revolutionary Command Council still sought--by extolling the virtues of the Arab Collective Security Pact--to contain growing Iraqi restlessness.

The long-standing Iraqi threat to break with the other Arab states on this issue now is brought closer to reality as a result of the Baghdad government's response to the Turkish invitation to co-operate in the establishment of an "indigenous" Middle East defense system. The joint announcement of this co-operation had a strong impact on the Arab world, for it was immediately considered as a break with Egypt and a blow at Arab solidarity on defense policy.

The Cairo press and radio, two weeks later, are still denouncing the Iraqi action. The Arab prime ministers met in Cairo on 22 January in response to an Egyptian call for an emergency session to consider the situation. At the same time, Saudi Arabia, Egypt's ally and traditional foe of Iraq, approached the Syrian and Lebanese governments, the first of which is particularly responsive to Saudi pressure. Saudi Arabia is probably responsible for some Jordanian press criticism and is capable of creating some opposition in Iraq, particularly among the southern tribal groups.

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The theme of this Saudi-Egyptian campaign is that Iraq has betrayed the Arab League by failing to consult with it and that Prime Minister Nuri Said has "perfidiously" betrayed the desires "of every loyal Arab."

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The Iraqi government, however, shows no sign of altering its decision. Nuri Said appears to have good support in Iraq--including King Faisal, Crown Prince Abdul Ilah and six ex-prime ministers. Furthermore, Nuri has full control of parliament, and his extraparlimentary opposition has been effectively squelched. The weak spot in his armor may be the poor state of his health.

Within the Arab League, Egypt can count on support from Saudi Arabia and Yemen and, probably, if it is unyielding, from Syria, Jordan, and possibly Lebanon. However, as so often happens in intra-Arab quarrels, mediators are already at work.

Egypt has professed a willingness to be "constructive." Iraq continues to stress its readiness to discuss the proposed pact with the other Arab states before signing it. Lebanese prime minister Solh, whose government has publicly expressed its desire to join the proposed pact, and Jordan's Abul Huda, who privately endorses the Iraqi move, are energetically seeking a compromise.

These efforts are likely to produce a face-saving formula of delay which will serve to prevent an immediate clash and preserve the facade of Arab unity. They are not likely to resolve the dispute or repair the damage done to the prestige of Egypt and the Arab League. The present Iraqi government professes that it will ultimately honor the commitment it publicly made to Turkey. Unless the Egyptian-Saudi campaign to unseat Nuri unexpectedly succeeds, Nuri's government will continue its efforts to impress the Arab states with the need to re-examine their refusal to co-operate with the West.

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SOVIET TACTICS ON "ATOMS FOR PEACE"

Recent Soviet statements on the peaceful use of atomic energy and the tactics of the Soviet delegate in the UN suggest that the USSR is clearing the way for launching an "atoms-for-peace" plan as a rival to President Eisenhower's atom pool plan which was endorsed by the UN last fall.

The Soviet Union announced during January that it would "report" on a Soviet atomic power station to the UN-sponsored world conference of scientists scheduled for next August. It also offered to share atomic materials and know-how with five Orbit states, and indicated that it might expand this offer to other countries. The exchange with the Orbit states would probably be carried out under a series of bilateral agreements.

These bilateral agreements probably will be presented by the Soviet delegation to the August conference as the all-inclusive answer to the problem of using atoms for "peace." By that time, in fact, the Soviet program may already be in operation but not to the extent promised. Any expansion of the plan probably will be aimed at underdeveloped countries of Asia, where the USSR is currently stressing its desire to provide economic and technical assistance. India or Iran would be a logical target for such offers.

The Soviet Union is attempting to cast the Indians in a leading role in nuclear matters discussed in the UN; and [redacted]

[redacted] the USSR has offered radioactive isotopes and unspecified research instruments to Iran. Such offers to backward or neutralist states would be a dramatic propaganda move for the USSR. Moreover, Moscow is capable of providing fissionable materials as well as the technical assistance necessary to put nuclear development plants into operation.

Another indication that the USSR will use its plan to compete with the US pool proposal is the obstructionist tactics of D. V. Skobeltsyn, Soviet delegate to the UN Advisory Committee on Peaceful Uses of Atomic Energy. When the committee met to plan for the August conference, he again introduced the question of Communist Chinese participation in the conference and complained that co-operation in peaceful uses of atomic energy is hindered by the failure to reach an agreement on the "elimination" of atomic weapons.

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Skobeltsyn showed particular interest in agenda topics which can serve as vehicles for propaganda supporting the USSR's position on "atoms for peace." These topics deal with (1) the use of radioactive isotopes, which the USSR has offered to five Orbit countries; and (2) the conversion of radiation into electric power, and the peaceful use of thermonuclear processes, both of which, if accomplished, represent significant scientific "breakthroughs" with important military implications. Skobeltsyn insisted that technical improvements, in particular breeder reactors, have military significance and questioned the remarks made during General Assembly debate to the effect that a power reactor could be constructed without increasing military potential.

Skobeltsyn's tactics suggest that in future negotiations Moscow will hew to the line taken by Vyshinsky last fall when he made it clear that while the USSR supported the development of atomic energy for peaceful purposes "in principle," it maintained reservations about the US atom pool plan. A member of the Indian delegation said on 18 January that he was "disturbed" over the line Skobeltsyn was taking, and expressed the opinion that the USSR did not intend to make a "major" contribution to the UN-supported atom pool plan.

Orbit propagandists, taking their cue from Moscow, have launched a campaign to regain the initiative on nuclear subjects from the West partly by picturing the USSR as the nation foremost in the development of nuclear physics. Its atomic-driven power plant--long a favorite subject of Communist propagandists--was presented as the most important landmark of nuclear development. Moscow's announcements on atomic policy are presented as dramatic "proof" that the USSR has outstripped the West--especially the United States--in applying atomic energy for peaceful purposes.

In contrast to Moscow's protestations that it desires all fissionable material to be employed in peaceful pursuits, the USSR has repeatedly reminded the West that it possesses nuclear weapons and can take retaliatory action if attacked. This campaign was renewed shortly after the Paris agreements were reached, and is directed at West European public opinion and parliaments in an attempt to create doubts about arming West Germany over Soviet objections. While this general line can be expected to continue until the Paris agreements are ratified, Moscow probably will then revert to playing down this particular aspect of nuclear power and concentrate on its peaceful uses.

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INTEREST IN UNIFICATION RISING IN WEST GERMANY

In West Germany public interest in unification is rising as the time for final action on the Paris accords draws near. Chancellor Adenauer is evidently trying to stay ahead of popular sentiment by starting to promote an East-West conference to meet after the accords are ratified. Despite Moscow's statement of 15 January that formal approval of the accords will end all prospect for German unity, most Bonn government officials believe that ratification will actually improve the prospects for reunification.

According to American representatives in Bonn, there is a general expectation in West Germany that the four occupation powers will meet shortly after the Paris accords have been approved by the national parliaments. This expectation has been fed by Adenauer's statement that such a conference is an "urgent necessity" as soon as Bonn achieves sovereignty. Growing press criticism of the coalition for inaction on unification caused Adenauer, during his 14 January talk with French premier Mendes-France, to make his first move to promote an East-West meeting.

Almost concurrently with Adenauer's move, the Soviet government in a public declaration of 15 January launched a new effort to convince the Western world and the Bundestag in particular that final approval of the Paris agreements would dash all hopes for a four-power meeting. It also offered Bonn such unexpected concessions on unification as international supervision of all-German elections. These concessions ostensibly went so far beyond previous Soviet offers that British officials feared Bonn would give the Paris agreements only conditional approval, pending new East-West talks.

By and large, however, the Soviet statement has not altered the Bundestag's determination to proceed with unconditional approval of the agreements, now scheduled for late February. Few coalition deputies wish to delay Bonn's sovereignty by pressing for East-West discussions now.

In fact, many Bundestag deputies drew from Moscow's statement the inference that progress can be made on unity after the accords are ratified. Observing that Soviet terms have become more acceptable as German rearmament nears,

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West Germans are coming to believe that serious negotiations may be possible as soon as the arms build-up is about to commence or is in operation.

Opposition Social Democratic leaders continue to take an opposite view, maintaining that West German adherence to NATO will raise insuperable political barriers to unification. The Socialist position has been undercut, however, by the published statements of government legal experts who declare that the all-German government would have the power to reject treaty obligations incurred by the Bonn provisional government.

At the time of any future conference of the four occupation powers, sentiment may be strong in West Germany for settling the unification issue on terms somewhat less favorable than those held necessary at the 1954 Berlin conference.

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With the principal aims of his foreign policy achieved through the ratification of the Paris agreements, Adenauer could afford more positive action on unification. Current evidence suggests that Bonn will use its new sovereign status to establish early diplomatic relations with Orbit countries, and perhaps ultimately to test Moscow's intentions, through direct diplomatic discussions. Despite such prospects, Adenauer will almost certainly continue unwilling to accept unfavorable terms or to bargain away the alliance with the West.

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VIET MINH CONSOLIDATES POSITION IN NORTH VIETNAM

The Viet Minh regime is moving to tighten its hold on the population of North Vietnam, and its well-organized security apparatus is capable of coping with isolated acts of resistance. The authorities are trying to make the broadest possible appeal for support. They are carrying on an intensive anti-American propaganda campaign for this purpose. A high point in this campaign was the New Year's Day demonstration in Hanoi which was attended by an estimated 200,000 persons.

The National United Front Organization, meeting in Hanoi in early January, reaffirmed "the lasting role and honorable position" of intellectuals, industrialists, and traders from the bourgeois class. The minister of commerce and industry assured merchants on 5 January that state enterprises were intended only to help stabilize prices and not to compete with private businessmen.

Despite these assurances, the Viet Minh is clamping tight controls on the economic life of North Vietnam. Economic difficulties--intensified by poor rice harvests--may possibly be causing the authorities to move faster in this direction than they otherwise would have. The rice market has been put under government control and all merchants are being heavily taxed on their inventories. Businessmen who are free to leave, in particular the French, Chinese and Indians, have for the most part decided to do so.

Direct Viet Minh controls over the private lives of the citizens is indicated by the strict curfew and the presence of many armed sentries in Hanoi. The Viet Minh press has warned the population not to listen to "enemy" propaganda broadcasts.

Despite the fact that the Viet Minh security apparatus is well organized, several acts of resistance have come to light. Minor sabotage acts against a power plant and the Hanoi-Haiphong railway have been reported and the International Control Commission in Hanoi states it has received 20,000 petitions for steps against Viet Minh reprisals and other illegal acts.

The only evidence of mass resistance has been the heavy flow of refugees: over 400,000 persons, many of them Catholics, have moved southward since the truce. Viet Minh efforts to frustrate departures led to a clash on 9 January between 5,000 Viet Minh troops and some 10,000 Catholics, who suffered heavy casualties.

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PEIPING CONTINUES TO STEP UP RAILROAD CONSTRUCTION*

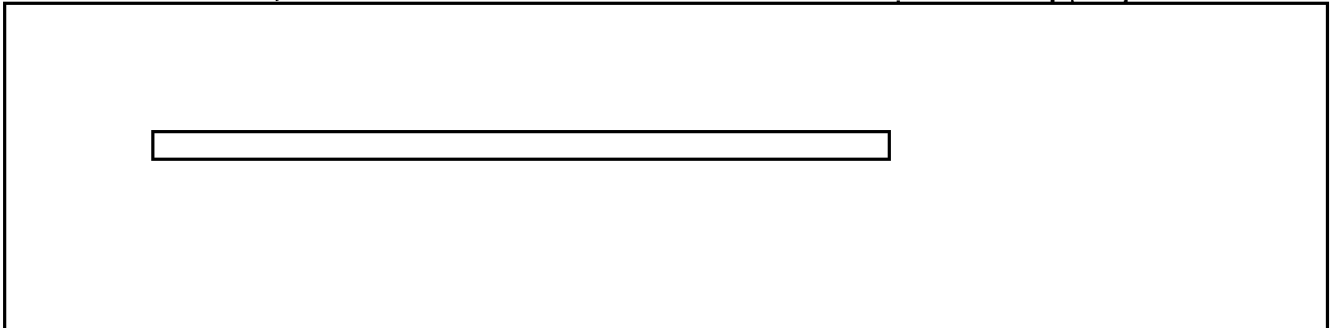
New railroads are being constructed in Communist China more rapidly than was generally anticipated. At the current rate Peiping will be able to complete the 5,000 miles of presently projected lines by 1962, the end of the second Five-Year Plan.

Peiping has announced plans to build more than 600 miles of new railroads in 1955. The 491 miles of new lines actually laid in 1954 exceeded by about 100 miles the plan announced at the beginning of the year. The annual average from 1951 through 1953 was approximately 370 miles (see map, p.17, and table, p.18).

With the reconstruction of the large rail rolling mill at the Anshan iron and steel plant, which can manufacture enough rails for the laying of more than 2,000 miles of track a year, Peiping is able both to step up construction of new lines and to meet other needs for track replacement, double-tracking, and industrial railroads in China, and construction in North Vietnam.

Although Peiping has not publicly confirmed it, there are indications that the coming year's program will include work on two or three strategic railroads into the southeast China coastal area, most of which is now dependent on poor highways

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Peiping, which took the major responsibility for restoring North Korea's war-torn rail net, is now doing the same in North Vietnam. According to the Sino-Viet Minh aid agreement announced in December, China will provide the necessary rolling stock, equipment and technicians to restore the Hanoi-Munankuan railroad, which will probably be in operation by mid-1955. Peiping is also reported helping to restore other railroads in North Vietnam.

*Concurred in by ORR.

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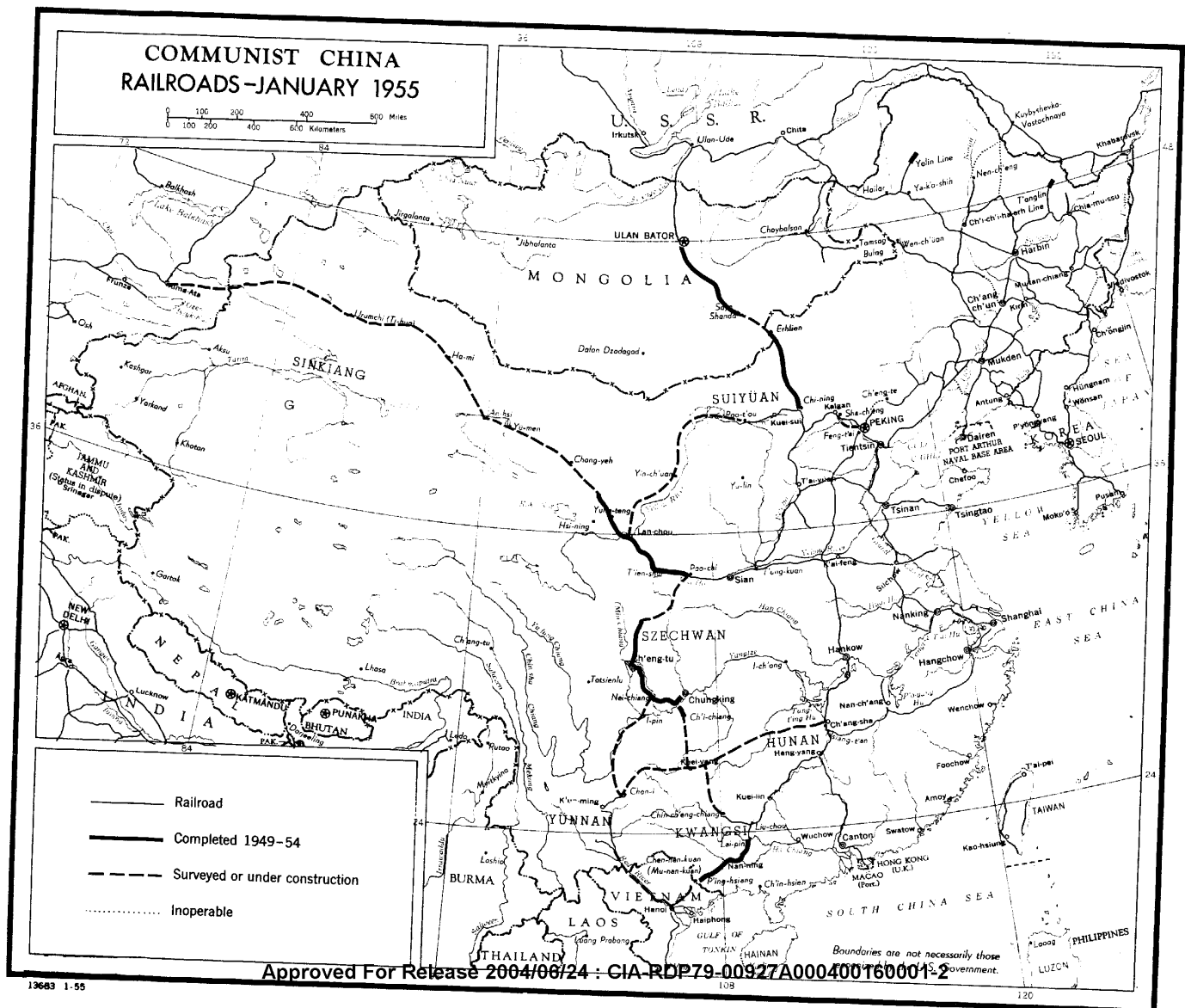
Work also is proceeding on the two new links with the Soviet Union. The Sino-Mongolian railroad, work on which was disclosed for the first time last October, will probably be finished in a few months. This line is expected to carry a large part of Sino-Soviet trade, being 650 miles shorter than the present Moscow-Peiping route through Manchuria.

The new line through Mongolia will be Soviet broad-gauge (5') as far as Chining, 210 miles south of the Mongolian border. Trains using the Chinese standard gauge will thus be prevented from running into Inner Mongolia, a situation that may delay the development and extension of Chinese influence in this area. This will be the only important stretch of Soviet-gauge line in China, and while it is probably needed for reasons of operating efficiency, its presence may be annoying to the Chinese.

The other, longer Sino-Soviet rail link through Sinkiang to Alma Ata in the Kazakh SSR will probably not be finished until about 1960. It will stimulate exploitation of mineral resources in Northwest China, particularly of the Yumen oil field, the only large one in China proper, to which it will be extended by 1956.

Peiping's sensitiveness to its vulnerability from a sea blockade of both ocean and coastal shipping may be indicated not only by the priority assigned to building the two inland rail links with the USSR, but also by its announced intention to double-track by 1957 the two main north-south lines south of Peiping from Peiping to Hankow and Tientsin to Pukow. Double-tracking of the heavily used line between Manchuria and Peiping was completed last year.

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USSR ACHIEVES SUCCESS IN EXPANDING HOUSING PROGRAM*

Construction of urban housing in the USSR has been increasing in response to the acute need for more and better living quarters. In recent weeks publicity connected with speeches by Party First Secretary Khrushchev has indicated that the housing program will continue to expand in 1955, at least, and probably during the next several years.

The pace and scope of the housing program is in line with the other consumer-benefit elements of the new course. The program is unlikely to cause any reduction in the present rate of industrial growth or the present level of military preparedness. Nevertheless, the Soviet government has committed itself, for the time being at least, to an expenditure of about 15 percent of its investment effort in a field that will not immediately add anything to the strategic power of the country, although in the long term it should have a beneficial influence on public morale and general economic strength. Such a commitment, viewed within the framework of the "new course" policy, as a whole, implies a judgment by Soviet leaders that military hostilities are not imminent.

Awareness that continued expansion of housing construction would be hard to balance with major increases in production of military items probably explains the unwillingness of Soviet leaders to make specific promises for the future concerning housing. The regime probably wishes to maintain its flexibility and not commit itself to a truly large housing program, which could be by far the most expensive element of the "new course" in terms of resources and labor.

An acute housing shortage existed in the USSR at the end of World War II, as a result of strong emphasis on industrial growth ever since 1928 which concentrated population in cities, plus the large-scale destruction of housing in enemy-occupied areas during the war. Whereas housing construction consistently was allocated less than 10 percent of total state investment in prewar years, the government found it necessary to shift substantial resources to this sector after the war, and investment in housing jumped to 12 or 13 percent of total investment in the period 1946 through 1953. The average housing space per urban dweller did not regain even the low prewar level until the end of 1953, however, because of the additional factor of the rise in total population and the further concentration in cities and towns.

*Prepared jointly by ORR and OCI.

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Announcements of the new agricultural and consumers' goods programs in the summer and fall of 1953, after Stalin's death, made no mention of housing. Measures taken in 1954, however, included an increase in state allocations for housing construction of 31 percent over 1953, a higher level of priorities for materials and building of state-constructed houses, a sharp rise in material allocations to the private market, and a plan to produce a substantial amount of prefabricated concrete sections for housing construction. Housing construction in urban areas rose to the highest level yet attained, resulting in an increase of 14 percent in available floor space.

A new ministry was also formed to handle municipal and rural housing construction, and an unprecedented grant of up to 3,300 rubles (\$825 at the official rate) per person was made to settlers in the new lands for building houses and barns. The improvement has probably been sufficient to have impressed the Soviet citizen with the efforts the government is making to improve his living conditions.

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